

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b> <b>FOR: HEALTH CARE FINANCING ADMINISTRATION</b>	<b>TRANSMITTAL NUMBER</b> AT-92-30	<b>STATE</b> TENNESSEE
	<b>PROGRAM IDENTIFICATION</b> TITLE XIX	
	<b>PROPOSED EFFECTIVE DATE</b>  July 1, 1992	

TYPE OF PLAN MATERIAL (Check One)

☐ NEW STATE PLAN      ☒ AMENDMENT TO BE CONSIDERED AS NEW PLAN      ☐ AMENDMENT

COMPLETE NEXT 4 BLOCKS IF THIS IS AN AMENDMENT (Separate transmittal for each amendment)

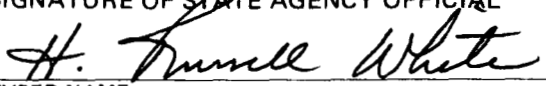
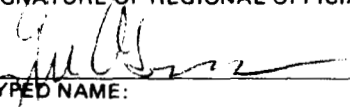
<b>FEDERAL REGULATION CITATION</b> 42 CFR 447	
<b>NUMBER OF THE PLAN SECTION OR ATTACHMENT</b>  Attachment 4.19A, page 4 of 11.	<b>NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT</b>  Attachment 4.19A, page 4 of 11.

**SUBJECT OF AMENDMENT**

Methods and Standards for Establishing Payment Rates for Psychiatric Inpatient Hospital Services.

**GOVERNOR'S REVIEW (Check One)**

☒ GOVERNOR'S OFFICE REPORTED NO COMMENT      ☐ OTHER, AS SPECIFIED:  
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

<b>SIGNATURE OF STATE AGENCY OFFICIAL</b> 	<b>FOR REGIONAL OFFICE USE ONLY</b>	
	<b>DATE RECEIVED</b> September 22, 1992	<b>DATE APPROVED</b> November 13, 2000
<b>TYPED NAME:</b> H. Russell White	<b>PLAN APPROVED - ONE COPY ATTACHED</b>	
<b>TITLE:</b> Commissioner	<b>EFFECTIVE DATE OF APPROVED MATERIAL</b> July 1, 1992	
<b>DATE:</b> September 11, 1992	<b>SIGNATURE OF REGIONAL OFFICIAL</b> 	
<b>RETURN TO:</b>  Tennessee Department of Health Bureau of Medicaid 729 Church Street Nashville, Tennessee 37247-6501  Attn: George Woods	<b>TYPED NAME:</b> Eugene A. Grasser	
	<b>TITLE:</b> Associate Regional Administrator Division of Medicaid and State Operations	
	<b>REMARKS:</b>	

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE TENNESSEE

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT  
RATES FOR INPATIENT HOSPITAL SERVICES

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reimbursable per diem rate will consist of only the operating component. The remaining components: capital and direct medical education will be paid in a lump sum amount. Capital and direct medical education costs will be estimated from each provider's most recent cost report on file as of 4:30 p.m. C.D.T., Monday, June 30, 1988. The estimate will be used to compute a lump sum amount for capital and direct medical education. Payment will be made monthly starting July 1, 1988. Each provider's subsequent cost report will be used to adjust the capital and direct medical education for the subsequent fiscal year. This adjustment shall be effective on the first day of the next month, one month subsequent to the date of receipt of the provider's cost report. Capital and direct medical education costs will be subject to year end cost settlement for inpatient psychiatric services on and after July 1, 1988. Effective July 1, 1992, the services tax will be an allowable cost included in the pass through component.

- 2(a) Effective October 1, 1991, capital costs will be reduced by 15% for dates of service October 1, 1991 through June 30, 1992. Reduction will be figured into year end final settlements. Hospitals designated as Sole Community Hospitals are exempt from percentage reductions in capital costs. Effective July 1, 1992, hospitals will be reimbursed 100% of capital costs for dates of service July 1, 1992 and later.
- 2(b) Additional costs due to revalued assets will be recognized only when an existing provider is purchased by another provider in a bona fide sale (arms length transaction). The new value for reimbursement purposes shall be the lesser of (1) the purchase price of the asset at the time of the sale, (2) the fair market value of the asset at the time of the sale (as determined by an MAI appraisal), (3) current reproduction cost of the asset depreciated on a straight line basis over its useful life to the time of the sale, or (4) for facilities undergoing a change of ownership on or after July 18, 1984, the acquisition cost to the first owner of record on or after July 18, 1984. The purchaser has the burden of proving that the transaction is a bona fide sale should the issue arise. Gains realized from the disposal of depreciable assets while a provider is participating in the program are to be a deduction from allowable capital costs. All sales as of July 18, 1984, will be in compliance with the provisions of Section 2314 of DEFRA.

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